

# UBuhlebezwe Municipality Draft Budget 2020/2021

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<b>COUNCIL MEETING</b>
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## **REPORT TO COUNCIL ON DRAFT BUDGET**

**Date** : 26 March 2020

**Levels** : 1<sup>st</sup> Level: Council

**1. Author** : Budget Manager; L Makhaye

### **2. PURPOSE**

The purpose of this report is to seek approval from Council for the draft budgets for 2020/2021 financial year.

### **3. LEGAL / STATUTORY REQUIREMENTS**

- Municipal Finance Management Act

### **4. AUTHORITY**

- Council

### **5. BACKGROUND AND REASONING**

The Municipal Finance Management Act states that the mayor of the municipality must table draft budget to council 90 days before the start of the financial year.

The budget has been prepared and is funded appropriately.

Furthermore, the municipality has prepared A Schedule (Vision 6.4) which is an MSCOA compliant budget.

The budget document is attached.

# UBuhlebezwe Municipality Draft Budget 2020/2021

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## **6. STAFF IMPLICATIONS**

The document was prepared by the staff in the BTO.

## **7. FINANCIAL IMPLICATIONS**

- Budget will be implemented in the 2020/2021 financial year

## **8. OTHER PARTIES CONSULTED**

- Exco / Office of the Municipal Manager

## **9. RECOMMENDATIONS**

- That Council approves the draft budget for 2020/2021 financial year for onward submission to National and Provincial Treasury as well as communities for comments.

**SCHEDULE OF DRAFT ANNUAL BUDGET AND SUPPORTING  
DOCUMENTATION OF**

**UBUHLEBEZWE MUNICIPALITY**

**2020/2021 DRAFT BUDGET**

**Copies of this document can be viewed:  
In the municipal buildings**

**Municipal library and the website**

**[www.Ubuhlebezwe.org.za](http://www.Ubuhlebezwe.org.za)**

# UBuhlebezwe Municipality Draft Budget 2020/2021

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# **MAYORAL BUDGET SPEECH**

## **Part 1 –Draft Annual Budget**

### **1. MAYORAL BUDGET SPEECH**

- Mr Speaker, Cllr T Dlamini;
- Deputy Mayor, Cllr CZ Mngonyama

# UBuhlebezwe Municipality Draft Budget 2020/2021

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- Colleagues in the Executive Committee
- Chairperson to MPAC
- Fellow Councillors
- oNdabezitha/ Amakhosi
- All Distinguished Guests present;
- The entire Management led by the Municipal Manager
- Ladies and Gentleman, and everyone present Good day

I am very honoured to be presenting the draft budget for the year ending 30 June 2021 and the MTEF ending in 2021. I am elated to present this budget, which is a tool in implementing our IDP.

Our country is faced with tough economic times, with a very low economic growth, even close to non-existence. Ubuhlebezwe Municipality is not immune to this predicament. The limited resources which are required to finance the social needs, infrastructural needs, educational needs, security needs etc., of our country has led the government with no choice but to borrow money to finance the deficit in our national budget. This therefore means more expenditure in repayment of debt. We have noted with concern the decrease in our municipal allocation of conditional grants, more so grants that are directed to service delivery which is our core mandate.

Mr Speaker, we are gathered in this fashion to table the draft budget of UBuhlebezwe Municipality for the year 2021 and three outer years. I am therefore presenting this budget as charged by the Municipal Finance Management Act as well as the Municipal Systems Act.

The budget is prepared according to the National Treasury guidelines, the budget reforms as well as circular 91 from National Treasury.

It is also important that this council note the fact that we adopted the gazette as issued by National Government on the new business reforms in the form of MSCOA. Within this obligation, that council produce budgets that is MSCOA compliant as at 1 July 2017. Any form of change is never easy; however, the municipality has pushed to ensure compliance with the laws and regulations relevant to MSCOA implementation. I am pleased to present an MSCOA compliant budget.

The budget I am presenting today is characterised by Operational and Capital Budget.

## **SUMMARY OF THE BUDGET**

# UBuhlebezwe Municipality Draft Budget 2020/2021

Operational Budget R 169 919 000

Capital Budget R 51 615 000

Total Budget R 221 534 000

## Funding the budget – Conditional and Unconditional grants

Description	Allocation 2020	Allocation 2021	Variance	Increase/ Decrease
Equitable Share	R 110 309 000	R 117 008 000	R 6 699 000	↑
Electrification	R 13 000 000	R 15 000 000	R 2 000 000	↑
Finance Management Grant	R 1 970 000	R 1 900 000	R 70 000	↓
EPWP	R 1 793 000	R 1 903 000	R 110 000	↑
Library Grant	R 880 000	R 876 548	R 6 548	↓
Library Cyber	R 221 000	R 206 062	R 14 938	↓
MIG	R 26 917 000	R 26 759 000	R 158 000	↓

Mr Speaker, the municipality must tighten its belt and strategically allocate the scarce resources in order to try to meet the service delivery needs of the people of UBuhlebezwe. I am saying this considering the fact that UBuhlebezwe Municipality has fourteen wards due to demarcation as opposed to the twelve wards in the prior years.

The budget that I am presenting today is only a draft and will be adopted by this council in May after having been taken to the people of UBuhlebezwe for comments. Mr Speaker, Section 6(1) of the Municipal Systems Amendment Act states ***“a municipality’s administration is governed by the democratic values and principles embodied in section 195(1) of the Constitution”***.

Section 6(2) (a) further requires each municipality ***“to be responsive to the needs of local community and to facilitate a culture of public service and accountability amongst staff”***

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The budget is presented in detail below as required by the MFMA and the Municipal Budget Regulations.

As council and management, it is our responsibility to ensure that the budget presented today is credible and implementable. It is through this kind of unity that the flag of Ubuhebezwe will be lifted. We are also not complacent and have put it upon ourselves to ensure that we “copy good things” from other institutions.

Mnumzana Mngonyama nendlu yonke, sengiyivala inkulumo yami, ngizovala ngamazwi eqhawe lenkululeko yethu, umnu O.R. Tambo; njengoba sigubha iminyaka eyikhulu nanye azalwa u Mnu Oliver Reginald “Kaizana” Tambo. Amazwi akhe athi: “It is our responsibility to break down barriers of division and create a country where there will be neither whites or blacks, just South Africans, free and united in diversity”

Ngiyabonga

## 1.2 Council Resolutions

*The Council of Ubuhebezwe Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:*

- *That the annual budget of the municipality for the financial year 2020/2021 ; and indicative allocations for the two projected outer years 2021/2022 and 2022/2023 and related policies be approved, as set out in the following schedules and annexure:*

6.1	Budget summary	A1 Sum	
6.2	Budgeted financial performance (revenue and	A2 FinPerf	



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	expenditure by standard classification)		
6.3	Budgeted financial performance (revenue and expenditure by municipal vote)	A3 FinPerf	
6.4	Budgeted financial performance (revenue and expenditure)	A4 FinPerf	
6.5	Budgeted capital expenditure by vote, standard classification and funding	A5 CapEx	
6.6	Budgeted financial position	A6 FinPos	
6.7	Budgeted cash flows	A7 CFlow	
6.8	Cash backed reserves/accumulated surplus reconciliation	A8 ResRecon	
6.9	Asset management	A9 Asset	
6.10	Basic service delivery measurement	A10 SerDel	

## 1.3 EXECUTIVE SUMMARY

### 1.3.1 Introduction

This 2020 to 2021 Tabled Medium Term Revenue and Expenditure Framework(MTREF) Budget Report deals with the operating budget and tariff proposals as well as the capital budget and funding sources proposal to ensure that UBuhlebezwe Municipality renders services to their local community in a financially sustainable manner.

### 1.3.2 Past performance

UBuhlebezwe Municipality has now attained a qualified audit opinion. This is not something we are proud of and we shall continue to strive for a clean audit as we have

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done in the past. A good audit outcome is directly aligned to performance and service delivery. The good results positively reflect service delivery improvements as well as good financial management. Good performance reflects a positive image of Ubuhebezwe leadership in rendering its services, transparency and equally its ability to render services to the community at large.

## 1.3.3 Financial Sustainability

Financial sustainability over the long-term has to do with the maintenance of high priority expenditure programs, both operating and capital, to ensure program sustainability and desired quality of services to be rendered. There must also be rates and service charges stability and predictability in the overall rate burden by ensuring reasonable rates and service charges to fund programs.

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

## 1.3.4 Budget Summary

The following table is a consolidated overview of the proposed 2020/2021 draft budget and medium-term revenue and expenditure framework:

**Table 1 Consolidated Overview of the 2020/2021**

KZN434 Ubuhebezwe - Table A1 Budget Summary										
Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Financial Performance</b>										
Property rates	21 377	21 377	16 685	23 023	23 023	23 023	23 023	23 573	24 752	26 088
Service charges	2 179	2 179	1 828	2 100	2 100	2 100	2 100	2 213	2 315	2 440
Investment revenue	13 027	13 027	7 693	16 000	13 000	13 000	13 000	13 585	17 792	18 752
Transfers recognised - operational	138 116	138 116	117 239	186 787	115 302	115 302	115 302	122 014	168 262	177 348
Other own revenue	5 708	6 437	3 681	6 722	7 322	7 322	7 322	7 812	7 471	7 874
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>180 407</b>	<b>181 135</b>	<b>147 125</b>	<b>234 631</b>	<b>160 746</b>	<b>160 746</b>	<b>160 746</b>	<b>169 197</b>	<b>220 591</b>	<b>232 503</b>

Total operating revenue has increased by 2% from the adjustments budget of 2019/2020. The municipality has budgeted R1 million for the sale of land, which has also contributed to the increase. Furthermore, the Equitable Share has increased by R 6.699 million compared to the previous year. However, it is to be noted that there was a decrease on Library, Municipal infrastructure and Financial Management Grant.

Total operating expenditure for the 2020/2021 financial year has been appropriated at R 169 919 000 including Non-Cash Items of R 21 013 000. This therefore translates into a surplus of R26 037 000, which effectively finances the capital expenditure. When compared to the 2019/20 Adjustments Budget, operational expenditure has decreased by R 5 905 000 which is 33% of the adjustments budget. This is mainly as a result reduction on internal funding used on Electrification projects.

# UBuhlebezwe Municipality Draft Budget 2020/2021

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The capital budget of R 48 173 000 for 2020/2021 which is R 28 281 000 less than the adjustments budget and further translates to a decrease of 37%.

## 1.4 Operating Revenue Framework

For UBuhlebezwe Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding, hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is being reviewed for relevance and effectiveness. The municipality has also embarked on a stringent data cleansing to ensure that revenues due to the municipality are received and timeously. The municipality has seen significant improvements on revenue collection for the months of January and February 2018 due to this exercise. The strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy
- Efficient revenue management, which aims to ensure a 75 per cent annual collection rate for property rates and other key service charges,
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) MPRA,
- Increase ability to extend new services and recover costs
- The municipality's Indigent Policy and rendering of free basic services and
- Tariff policies of the Municipality

The following table is a summary of the 2020/21 MTREF (classified by main revenue source):

# UBuhlebezwe Municipality Draft Budget 2020/2021

KZN434 Ubuhebezwe - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1										
Revenue By Source											
Property rates	2	–	21 377	16 685	23 023	23 023	23 023	23 023	23 573	29 637	31 238
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	–	2 179	1 828	2 100	2 100	2 100	2 100	2 213	2 315	2 440
Rental of facilities and equipment		–	1 037	533	1 000	1 000	1 000	1 000	1 054	1 103	1 162
Interest earned - external investments		–	13 027	7 693	16 000	13 000	13 000	13 000	13 585	17 792	18 752
Interest earned - outstanding debtors		–	–	–	–	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		–	901	401	1 000	1 000	1 000	1 000	1 054	1 103	1 162
Licences and permits		–	3 119	2 274	3 419	3 969	3 969	3 969	4 130	3 708	3 908
Agency services		–	651	211	34	29	29	29	36	37	39
Transfers and subsidies		–	138 116	117 239	186 787	115 302	115 302	115 302	122 014	168 262	177 348
Other revenue	2	–	729	262	1 269	1 324	1 324	1 324	1 538	1 520	1 602
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		–	181 135	147 125	234 631	160 746	160 746	160 746	169 197	225 477	237 653

The total operating revenue for 2020/21 is R 169 197 000

- Government Subsidies/ Grants**

In line with the formats prescribed by Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus or deficit.

The table below reflects all government grants categorised per function.

Description	Allocation 2020	Allocation 2021	Variance	Increase/Decrease
<b>GRANTS</b>				
MIG	R 26 917 000	R26 759 000	(158 000)	↓
<b>TOTAL</b>	<b>R26 917 000</b>	<b>R26 759 000</b>	<b>(R 158 000)</b>	↓
<b>OPERATIONAL GRANTS</b>				
Equitable Share	R110 309 000	R117 008 000	R 6 741 000	↑

## UBuhlebezwe Municipality Draft Budget 2020/2021

Finance Management Grant	R 1 970 000	R 1 900 000	R 70 000	
EPWP	R 1 793 000	R 1 903 000	R 110 000	
Library Grant	R 880 000	R 924 000	R 44 000	
Library Cyber	R 221 000	R 226 000	R 5 000	
Electrification	R13 000 000	R15 000 000	R2 000 000	
<b>TOTAL</b>	<b>R119 114 000</b>	<b>R119 689 000</b>	<b>R 575 000</b>	

- Property Rates**

The municipality has estimated its property rate based on the latest consolidated valuation roll which increases the rates and service charges by 2%. This led to the budget for rates to be R 23 573 000 for the 2020/2021 financial year.

### Comparison of proposed rates to be levied for the 2020/2021 financial year

KZN434 Ubuhlebezwe - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<u>Revenue By Source</u>											
Property rates	2	21 377	21 377	16 685	23 023	23 023	23 023	23 023	23 573	24 752	26 088

The amounts reflected above are after considering revenue forgone and rebates.

- Refuse / Service Charges**

This refers to refuse removal income that the municipality collects as budgeted. The proposed budget for services amounted to R 2 213 000 for 2020/2021.

Below is a revenue collection chart, which reflects billed amounts versus cash collected:

# UBuhlebezwe Municipality Draft Budget 2020/2021

2019-2020 Collection Rate									
	MTD								YTD
	July	August	September	October	November	December	January	February	Total
Receipts	743 326.01	715 707.28	1 137 789.05	790 967.68	702 278.78	709 589.02	2 671 266.88	1 236 889.51	8 707 814.21
Rates	2 493 604.73	1 908 010.41	1 907 800.00	1 907 800.00	1 907 800.01	1 909 726.98	1 919 713.00	1 918 604.04	15 873 059.17
Collection Rate	29.81%	37.51%	59.64%	41.46%	36.81%	37.16%	139.15%	64.47%	54.86%
Receipts	59 226.75	47 085.41	135 310.08	69 538.78	58 785.17	74 787.90	190 172.22	175 245.02	810 151.33
Refuse	191 620.87	257 171.32	256 206.50	261 063.51	262 042.81	261 682.85	262 550.26	266 229.86	2 018 567.98
Collection Rate	30.91%	18.31%	52.81%	26.64%	22.43%	28.58%	72.43%	65.82%	40.13%
Receipts	27 979.15	20 915.29	37 819.25	20 667.12	12 967.20	15 221.55	19 132.67	22 110.95	176 813.18
Rentals	71 274.71	71 274.71	71 274.71	50 311.78	40 638.11	40 638.11	33 577.68	33 577.68	412 567.49
Collection Rate	39.26%	29.34%	53.06%	41.08%	31.91%	37.46%	56.98%	65.85%	42.86%
Total Rec	830 531.91	783 707.98	1 310 918.38	881 173.58	774 031.15	799 598.47	2 880 571.77	1 434 245.48	9 694 778.72
Total Billing	2 756 500.31	2 236 456.44	2 235 281.21	2 219 175.29	2 210 480.93	2 212 047.94	2 215 840.94	2 218 411.58	18 304 194.64
Total Rate	30.13%	35.04%	58.65%	39.71%	35.02%	36.15%	130.00%	64.65%	52.96%

The municipality's tariff of refuse collection is not cost reflective, due to affordability of the community as well as unemployment rate within the municipal area. The section is therefore run at a loss and funded by the municipal funds.

An increase of 5% on tariffs has been used across the board.

KZN434 Ubuhebezwe - Table A1 Budget Summary										
Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Financial Performance</b>										
Property rates	21 377	21 377	16 685	23 023	23 023	23 023	23 023	23 573	24 752	26 088
Service charges	2 179	2 179	1 828	2 100	2 100	2 100	2 100	2 213	2 315	2 440
Investment revenue	13 027	13 027	7 693	16 000	13 000	13 000	13 000	13 585	17 792	18 752
Transfers recognised - operational	138 116	138 116	117 239	186 787	115 302	115 302	115 302	122 014	168 262	177 348
Other own revenue	5 708	6 437	3 681	6 722	7 322	7 322	7 322	7 812	7 471	7 874
Total Revenue (excluding capital transfers and contributions)	180 407	181 135	147 125	234 631	160 746	160 746	160 746	169 197	220 591	232 503

- Rental**

This refers to rental for municipal facilities, the municipality budgeted the amount of R1 000 000.

- Traffic Fines**

Traffic Fines budget remains at R 1 000 000.

- Interest on Investments**

This refers to funds invested by the municipality on various institutions, for less than one year, we have budgeted an amount of R 13 585 000.

- Licence and Permit**

The Municipality has budgeted to collect R 3 986 625.60 from Licence and Permit.

- Agency Services**

The Municipality has budgeted to collect R 870 300 from Agency Services.

## **1.5 Operating Expenditure Framework**

The total operating expenditure for 2020/2021 financial year has been appropriated at R169 919 000. The Municipality's expenditure framework for the 2020/21 budget is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit
- Funding of the over the medium-term as informed by Section 18 and 19 of the MFMA,
- Strict adherence to the principle of no project plans no budget. If there is no business plan, no funding allocation can be made.

## **Expenditure by Source Table**

# UBuhlebezwe Municipality Draft Budget 2020/2021

KZN434 Ubuhebezwe - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Revenue By Source</b>											
Property rates	2	21 377	21 377	16 685	23 023	23 023	23 023	23 023	23 573	24 752	26 088
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	2 179	2 179	1 828	2 100	2 100	2 100	2 100	2 213	2 315	2 440
Rental of facilities and equipment		1 037	1 037	533	1 000	1 000	1 000	1 000	1 054	1 103	1 162
Interest earned - external investments		13 027	13 027	7 693	16 000	13 000	13 000	13 000	13 585	17 792	18 752
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		901	901	401	1 000	1 000	1 000	1 000	1 054	1 103	1 162
Licences and permits		3 119	3 119	2 274	3 419	3 969	3 969	3 969	4 130	3 708	3 908
Agency services		651	651	211	34	29	29	29	36	37	39
Transfers and subsidies		138 116	138 116	117 239	186 787	115 302	115 302	115 302	122 014	168 262	177 348
Other revenue	2	-	729	262	1 269	1 324	1 324	1 324	1 538	1 520	1 602
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>180 407</b>	<b>181 135</b>	<b>147 125</b>	<b>234 631</b>	<b>160 746</b>	<b>160 746</b>	<b>160 746</b>	<b>169 197</b>	<b>220 591</b>	<b>232 503</b>
<b>Expenditure By Type</b>											
Employee related costs	2	63 259	63 259	49 799	77 459	77 894	77 894	77 894	82 172	84 276	88 827
Remuneration of councillors		10 304	10 304	6 696	11 097	11 097	11 097	11 097	11 097	11 795	12 432
Debt impairment	3	1 689	1 689	1 669	1 578	2 000	2 000	2 000	2 108	1 740	1 834
Depreciation & asset impairment	2	22 565	22 565	23 783	20 000	22 000	22 000	22 000	21 013	20 666	21 782
Finance charges		2	2	-	-	-	-	-	-	-	-
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	396	396	300	870	906	906	906	1 099	551	581
Contracted services		7 243	15 597	8 353	21 116	21 572	21 572	21 572	21 499	26 682	28 123
Transfers and subsidies		18 538	31 379	38 787	86 040	14 604	14 604	14 604	3 611	1 946	2 051
Other expenditure	4, 5	-	21 188	13 139	25 580	25 751	25 751	25 751	27 320	30 079	31 704
Loss on disposal of PPE		484	484	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>124 481</b>	<b>166 863</b>	<b>142 528</b>	<b>243 741</b>	<b>175 824</b>	<b>175 824</b>	<b>175 824</b>	<b>169 919</b>	<b>177 736</b>	<b>187 334</b>
<b>Surplus/(Deficit)</b>		<b>55 926</b>	<b>14 272</b>	<b>4 597</b>	<b>(9 109)</b>	<b>(15 077)</b>	<b>(15 077)</b>	<b>(15 077)</b>	<b>(722)</b>	<b>42 855</b>	<b>45 170</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		31 316	31 316	22 894	33 317	33 317	33 317	33 317	26 759	36 815	38 803
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>87 242</b>	<b>45 588</b>	<b>27 491</b>	<b>24 208</b>	<b>18 240</b>	<b>18 240</b>	<b>18 240</b>	<b>26 037</b>	<b>79 670</b>	<b>83 972</b>
Taxation		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		<b>87 242</b>	<b>45 588</b>	<b>27 491</b>	<b>24 208</b>	<b>18 240</b>	<b>18 240</b>	<b>18 240</b>	<b>26 037</b>	<b>79 670</b>	<b>83 972</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>87 242</b>	<b>45 588</b>	<b>27 491</b>	<b>24 208</b>	<b>18 240</b>	<b>18 240</b>	<b>18 240</b>	<b>26 037</b>	<b>79 670</b>	<b>83 972</b>
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>87 242</b>	<b>45 588</b>	<b>27 491</b>	<b>24 208</b>	<b>18 240</b>	<b>18 240</b>	<b>18 240</b>	<b>26 037</b>	<b>79 670</b>	<b>83 972</b>



# UBuhlebezwe Municipality Draft Budget 2020/2021

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- **Employee Related Costs**

The proposed total cost to employer amount to R82 276 000. This amount excludes the Councilors Remuneration which is R11 097 000. The amount of employee related costs also includes new position that were previously not funded in the budget but approved in the Municipality's organogram.

- **Provision for doubtful debts.**

The provision of debt impairment was determined based on an annual collection rate. For the 2018/2019 financial year this amount equates to R2 108 000. While this expenditure is considered as non-cash item, it informed the cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

- **Depreciation**

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the rate asset consumption. Budget appropriations in this regard total R22 000 000 for the 2020/2021 financial year.

- **Repairs and Maintenance**

In line with repairs and maintenance plan, this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure assets. The amount of R 6 054 031 has been budgeted for 2020/2021.

- **Contracted Services**

The budget of R 21 499 000 has been set aside for contracted services.

- **Other Expenditure**

Other expenditure is the general expenditure incurred by the municipality for its operations, the amount of R27 320 000 is projected.

# UBuhlebezwe Municipality Draft Budget 2020/2021

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## 1.6 Capital expenditure

Capital expenditure funding is funded by grants which is an amount of R26 759 000 from MIG and Other expenditure of R24 856 000 is funded from internally generated funds.

### Summary of Capital Expenditure

MIG	R 26 759 000
Internal Funded	R 24 856 000
<b>Total</b>	<b>R 51 615 000</b>

**NB: Breakdown of these projects are in the IDP.**

## 1.7 Annual Budget Tables-

### 1.7.1 Explanatory notes to MBRR Table A1-Budget Summary for 2018/2019 Financial year.

- Table A1 is a budget summary and provides a concise overview of UBuhlebezwe Local Municipality's budget from all the major financial perspectives (operating, capital expenditure, financial position, cash flow and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial management reforms emphasises the importance of the municipal budget being funded. The Budget Summary provides the key information in this regard;
  - Transfer recognised is reflected on the Financial Performance Budget
  - Internally generated funds are financed from a combination of the operating surplus and accumulated cash-backed surplus from previous years. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
- Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The municipality is committed to provide free basic services to the needy community. In addition, the municipality continues to make progress in addressing service delivery backlogs.

## **1.7.2 Explanatory notes to MBRR Table A2-Budgeted Financial Performance (revenue and expenditure by standard classification)**

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into its functional areas. Municipal revenue, operating expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports



# UBuhlebezwe Municipality Draft Budget 2020/2021

## 1.7.3 Explanatory notes to MBRR Table A3-Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure. This means it is possible to present the operating surplus or deficit of a vote. The table shows the analysis of the surplus or deficit.

KZN434 Ubuhebezwe - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)										
Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand										
Revenue by Vote	1									
Vote 1 - Finance & Admin		157 550	120 964	148 649	152 440	148 490	148 490	159 171	167 767	176 994
Vote 2 - Executive & Council		-	-	-	-	-	-	-	55 755	58 559
Vote 3 - Community and Social Services		2 274	2 274	2 518	2 073	2 139	2 139	2 244	2 366	2 496
Vote 4 - Internal Audit		-	-	-	-	-	-	-	-	-
Vote 5 - Housing		-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		3 305	4 581	3 800	10 363	-	-	-	-	-
Vote 7 - Road Transport		28 994	28 994	-	2 100	2 100	2 100	2 213	2 333	2 461
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-
Vote 9 - Energy Sources		1 975	1 975	53	616	666	666	122	129	136
Vote 10 - Planning and Development		21	21	18	50	29	29	-	-	-
Vote 11 - Sports & Recreation		42 521	42 521	17 440	39 984	26 984	26 984	26 829	28 278	29 833
Vote 12 - Other		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		18 181	18 181	31 201	58 530	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		1 271	1 271	564	1 000	1 000	1 000	5 375	5 665	5 977
Total Revenue by Vote	2	256 092	220 783	204 244	267 155	181 408	181 408	195 956	262 292	276 456
Expenditure by Vote <i>to be appropriated</i>	1									
Vote 1 - Finance & Admin		40 334	40 334	12 162	40 242	43 887	43 887	41 267	43 495	45 887
Vote 2 - Executive & Council		21 910	21 910	14 107	25 414	25 060	25 060	26 309	27 729	29 254
Vote 3 - Community and Social Services		3 246	3 246	1 952	3 506	3 878	3 878	3 649	3 847	4 058
Vote 4 - Internal Audit		-	(2 050)	-	-	-	-	-	-	-
Vote 5 - Housing		-	-	-	-	-	-	23 411	23 316	24 421
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		10 680	10 680	7 407	11 910	12 146	12 146	12 642	13 324	14 057
Vote 8 - Waste Management		12 338	12 338	12 414	13 000	-	-	-	-	-
Vote 9 - Energy Sources		7 720	7 720	7 852	24 049	23 313	23 313	13 561	14 293	15 079
Vote 10 - Planning and Development		462	462	264	686	668	668	720	759	801
Vote 11 - Sports & Recreation		11 761	11 761	7 868	16 146	16 046	16 046	17 435	18 377	19 388
Vote 12 - Other		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		18 710	18 710	23 531	60 255	1 716	1 716	2 162	2 279	2 404
Vote 14 - [NAME OF VOTE 14]		480	480	280	961	860	860	737	777	819
Vote 15 - [NAME OF VOTE 15]		22 226	22 410	16 556	25 744	26 413	26 413	28 027	29 540	31 165
Total Expenditure by Vote	2	149 865	147 999	104 394	221 914	153 988	153 988	169 919	177 736	187 334
Surplus/(Deficit) for the year	2	106 227	72 784	99 850	45 242	27 420	27 420	26 036	84 556	89 122

## 1.7.4 Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

Transfers recognised-operating includes the FMG, EPWP, Electrification and equitable share from national and provincial government. It is noted that the grants remains a significant and high funding source for the municipality.

# UBuhlebezwe Municipality Draft Budget 2020/2021

KZN434 Ubuhebezwe - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1										
Revenue By Source											
Property rates	2	21 377	21 377	16 685	23 023	23 023	23 023	23 023	23 573	24 752	26 088
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	2 179	2 179	1 828	2 100	2 100	2 100	2 100	2 213	2 315	2 440
Rental of facilities and equipment		1 037	1 037	533	1 000	1 000	1 000	1 000	1 054	1 103	1 162
Interest earned - external investments		13 027	13 027	7 693	16 000	13 000	13 000	13 000	13 585	17 792	18 752
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		901	901	401	1 000	1 000	1 000	1 000	1 054	1 103	1 162
Licences and permits		3 119	3 119	2 274	3 419	3 969	3 969	3 969	4 130	3 708	3 908
Agency services		651	651	211	34	29	29	29	36	37	39
Transfers and subsidies		138 116	138 116	117 239	186 787	115 302	115 302	115 302	122 014	168 262	177 348
Other revenue	2	-	729	262	1 269	1 324	1 324	1 324	1 538	1 520	1 602
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		180 407	181 135	147 125	234 631	160 746	160 746	160 746	169 197	220 591	232 503
Expenditure By Type											
Employee related costs	2	63 259	63 259	49 799	77 459	77 894	77 894	77 894	82 172	84 276	88 827
Remuneration of councillors		10 304	10 304	6 696	11 097	11 097	11 097	11 097	11 097	11 795	12 432
Debt impairment	3	1 689	1 689	1 669	1 578	2 000	2 000	2 000	2 108	1 740	1 834
Depreciation & asset impairment	2	22 565	22 565	23 783	20 000	22 000	22 000	22 000	21 013	20 666	21 782
Finance charges		2	2	-	-	-	-	-	-	-	-
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	396	396	300	870	906	906	906	1 099	551	581
Contracted services		7 243	15 597	8 353	21 116	21 572	21 572	21 572	21 499	26 682	28 123
Transfers and subsidies		18 538	31 379	38 787	86 040	14 604	14 604	14 604	3 611	1 946	2 051
Other expenditure	4, 5	-	21 188	13 139	25 580	25 751	25 751	25 751	27 320	30 079	31 704
Loss on disposal of PPE		484	484	-	-	-	-	-	-	-	-
Total Expenditure		124 481	166 863	142 528	243 741	175 824	175 824	175 824	169 919	177 736	187 334
Surplus/(Deficit)		55 926	14 272	4 597	(9 109)	(15 077)	(15 077)	(15 077)	(722)	42 855	45 170
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		31 316	31 316	22 894	33 317	33 317	33 317	33 317	26 759	36 815	38 803
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		87 242	45 588	27 491	24 208	18 240	18 240	18 240	26 037	79 670	83 972
Taxation		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		87 242	45 588	27 491	24 208	18 240	18 240	18 240	26 037	79 670	83 972
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		87 242	45 588	27 491	24 208	18 240	18 240	18 240	26 037	79 670	83 972
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		87 242	45 588	27 491	24 208	18 240	18 240	18 240	26 037	79 670	83 972

## 1.7.5 Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote, capital expenditure by standard classification, and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The capital programme is funded by grants, donations where necessary and internally generated funds.
- UBuhlebezwe capital budget is mainly funded by grants with MIG and DoE (Electrification) being the highest funders. It must also be noted that the electrification project is budgeted for under capital expenditure simply because whilst the project is still work in progress it becomes capital in nature; however as soon as the project is transferred to the home owners, it then gets transferred to operational expenditure.

# UBuhlebezwe Municipality Draft Budget 2020/2021

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - Finance & Admin		-	-	-	-	-	-	-	-	-	-
Vote 2 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 3 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 5 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 9 - Energy Sources		-	-	-	-	-	-	-	-	-	-
Vote 10 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 11 - Sports & Recreation		-	-	-	-	-	-	-	-	-	-
Vote 12 - Other		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - Finance & Admin		793	2 312	793	2 590	2 590	2 590	2 590	1 450	8 776	9 259
Vote 2 - Executive & Council		552	552	-	1 130	660	660	660	850	1 654	1 745
Vote 3 - Community and Social Services		10 767	10 767	2 543	3 898	4 613	4 613	4 613	9 395	3 912	4 127
Vote 4 - Internal Audit		-	-	-	-	-	-	-	-	-	-
Vote 5 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		-	-	302	1 091	1 103	1 103	1 103	2 117	1 644	1 734
Vote 8 - Waste Management		-	-	-	-	-	-	-	936	987	1 042
Vote 9 - Energy Sources		4 590	4 590	643	3 358	5 333	5 333	5 333	2 922	5 092	5 372
Vote 10 - Planning and Development		1 659	1 659	363	2 205	3 793	3 793	3 793	3 667	3 131	3 303
Vote 11 - Sports & Recreation		16 562	16 562	14 729	36 975	31 205	31 205	31 205	14 834	45 460	47 960
Vote 12 - Other		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		5 238	3 807	5 238	10 000	10 000	10 000	10 000	10 540	13 228	13 956
Vote 14 - [NAME OF VOTE 14]		-	-	-	1 118	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		243	235	480	1 118	1 290	1 290	1 290	3 484	890	939
<b>Capital single-year expenditure sub-total</b>		40 404	40 483	25 092	62 365	60 586	60 586	60 586	50 195	84 773	89 435
<b>Total Capital Expenditure - Vote</b>		40 404	40 483	25 092	62 365	60 586	60 586	60 586	50 195	84 773	89 435
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		3 099	3 099	1 273	4 838	4 540	4 540	4 540	5 784	11 319	11 931
Executive and council		552	552	-	1 130	660	660	660	850	1 654	1 745
Finance and administration		2 547	2 547	1 273	3 708	3 880	3 880	3 880	4 934	9 666	10 188
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		19 116	19 116	15 309	32 033	34 274	34 274	34 274	25 022	36 422	38 388
Community and social services		10 767	10 767	2 553	4 099	4 969	4 969	4 969	9 395	4 154	4 379
Sport and recreation		1 659	1 659	363	2 205	3 793	3 793	3 793	3 667	3 131	3 300
Public safety		2 884	2 884	7 155	15 730	15 513	15 513	15 513	1 420	15 909	16 768
Housing		3 807	3 807	5 238	10 000	10 000	10 000	10 000	10 540	13 228	13 942
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		21 151	21 151	15 372	40 334	36 537	36 537	36 537	17 756	19 925	20 200
Planning and development		4 590	4 590	643	3 358	5 333	5 333	5 333	2 922	5 092	5 367
Road transport		16 562	16 562	14 729	36 975	31 205	31 205	31 205	14 834	45 460	47 960
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	302	1 091	1 103	1 103	1 103	3 053	1 644	1 733
Energy sources		-	-	-	-	-	-	-	936	-	-
Water management		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	302	1 091	1 103	1 103	1 103	2 117	1 644	1 733
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	43 366	43 366	32 256	78 296	76 454	76 454	76 454	51 615	69 310	72 252
<b>Funded by:</b>											
National Government		24 051	24 051	16 373	26 917	26 917	26 917	26 917	26 759	28 247	29 772
Provincial Government		2 884	2 884	6 184	6 400	6 400	6 400	6 400	-	15 721	16 570
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	26 935	26 935	22 557	33 317	33 317	33 317	33 317	26 759	43 968	46 343
<b>Borrowing</b>	6	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		9 699	16 431	9 699	44 979	43 130	43 130	43 130	24 856	55 968	58 991
<b>Total Capital Funding</b>	7	36 634	43 366	32 256	78 296	76 447	76 447	76 447	51 615	99 937	105 333

## 1.7.6 Explanatory notes to Table A6-Budgeted Financial Position

# UBuhlebezwe Municipality Draft Budget 2020/2021

- Table A6 is consistent with international standards of good financial management practice, and improves understanding for councillors and management of the impact of the budget on the statement of financial position (balance sheet)
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version.
- Any movement on the budgeted financial performance or the capital budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalent at year end.
- Table SA3 provides a detailed analysis of the major components of a number of items, including :

- Call investments deposits
- Consumer debtors
- Property, plant and equipment
- Trade and other payables
- Provisions non current
- Change in net assets,
- Reserves

- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets on the municipality belong to the community.

KZN434 Ubuhebezwe - Table A6 Budgeted Financial Position											
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
ASSETS											
Current assets											
Cash		5	26	189	–	38 275	38 275	5	6	6	6
Call investment deposits	1	134 815	20 637	8 153	105 302	260 758	260 758	260 758	273 796	287 485	301 860
Consumer debtors	1	8 864	9 072	8 076	–	(19 634)	(19 634)	(19 634)	(20 616)	(21 647)	(22 729)
Other debtors		8 891	(2 971)	3 760	–	(5 641)	(5 641)	9 310	9 776	10 264	10 778
Current portion of long-term receivables		122	(4)	–	–	–	–	122	128	135	142
Inv entory	2	2 344	(788)	(287)	–	–	–	2 905	–	–	–
Total current assets		155 041	25 973	19 890	105 302	273 758	273 758	253 466	263 089	276 244	290 056
Non current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		19 896	(290)	–	–	20 671	20 671	21 446	22 518	23 644	24 826
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	251 963	18 292	31 418	75 246	342 527	342 527	342 527	48 462	90 808	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		1 093	1 191	838	3 050	3 300	3 300	1 451	3 153	9 129	–
Other non-current assets		–	–	–	–	–	–	–	–	–	–
Total non current assets		271 859	18 001	32 512	76 437	364 036	366 248	367 273	74 280	115 903	27 979
TOTAL ASSETS		426 900	43 974	52 402	181 739	637 794	640 006	620 739	337 369	392 147	318 035
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	–	–	–	–	–	–	–	–	–	–
Consumer deposits		(32)	242	16	–	–	–	4	–	–	–
Trade and other payables	4	36 610	9 397	24 045	27 339	27 339	27 339	27 339	28 706	30 141	31 648
Provisions		–	–	–	–	–	–	–	–	–	–
Total current liabilities		36 578	9 639	24 060	27 339	27 339	27 339	27 343	28 706	30 141	31 648
Non current liabilities											
Borrowing		–	–	–	–	–	–	–	–	–	–
Provisions		6 089	1 421	1 455	1 542	1 619	1 700	1 785	1 874	1 968	2 066
Total non current liabilities		6 089	1 421	1 455	1 542	1 619	1 700	1 785	1 874	1 968	2 066
TOTAL LIABILITIES		42 667	11 060	25 515	28 881	28 958	29 039	29 128	30 580	32 109	33 715
NET ASSETS	5	384 233	32 914	26 887	152 859	608 836	610 967	591 611	306 789	360 038	284 320
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		366 197	386 338	338	132 398	594 677	594 677	592	621	652	685
Reserves	4	–	–	–	–	–	–	–	54 790	45 717	–
TOTAL COMMUNITY WEALTH/EQUITY	5	366 197	386 338	338	132 398	594 677	594 677	592	55 411	46 369	685



# UBuhlebezwe Municipality Draft Budget 2020/2021


## 1.7.7 Explanatory notes to Table A7 - Budgeted Cash Flow Statement

- The budgeted cash flow statement is the first measurement in determining if the budget is funded.
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

KZN434 Ubuhebezwe - Table A7 Budgeted Cash Flows											
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		-	-	-	-	-	-	-	-	-	-
Service charges		-	2 179	1 828	2 100	2 100	2 213	2 213	2 213	2 315	-
Other revenue		-	2 628	3 127	4 869	5 314	5 604	5 604	5 604	5 429	-
Government - operating	1	-	141 546	117 598	187 639	116 204	122 912	122 912	122 912	169 202	-
Government - capital	1	-	31 316	22 894	33 317	33 317	26 759	26 759	26 759	36 815	-
Interest		-	-	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		-	(110 744)	(78 288)	(136 122)	(137 220)	(141 468)	(141 468)	(143 187)	(153 384)	-
Finance charges		-	(2)	-	-	-	-	-	-	-	-
Transfers and Grants	1	-	(31 069)	(38 465)	(83 135)	(11 698)	(650)	(650)	(650)	(31 621)	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	35 854	28 694	8 668	8 017	15 370	15 370	13 651	28 756	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	363	159	1 000	1 000	1 200	1 200	1 200	1 103	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Capital assets		279	43 366	32 256	78 296	76 454	76 454	76 454	(51 615)	(99 937)	-
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		279	43 729	32 415	79 296	77 454	77 654	77 654	(50 415)	(98 834)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	-	-	-	-	-	-	-	-	-
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		279	79 583	61 109	87 964	85 472	93 024	93 024	(36 764)	(70 078)	-
Cash/cash equivalents at the year begin:	2	-	-	-	-	-	-	-	93 024	56 260	(13 819)
Cash/cash equivalents at the year end:	2	279	79 583	61 109	87 964	85 472	93 024	93 024	56 260	(13 819)	(13 819)
<u>References</u>											

# UBuhlebezwe Municipality Draft Budget 2020/2021

## Investment Register:

UBUHLEBEZWE MUNICIPALITY																
2019 - 2020 Financial Year																
Investment Register for February 2020																
																
Institution	Acc No	Acc Type	Maturity Date	Interest Rate (%)	Balance Per Statement 01-Feb	(Bank charges)	(Withdrawals)	Deposits	Month End Interest Earned	Balance Per Statement 29-Feb	Month End Interest Accrued	Interest Accrued To date	Earned Interest To date	Balance Per General Ledger 29-Feb	Difference	Interest Income received
ABSA Bank - 30m	9356939209	2 Months - Fixed Deposit	25-Apr	7.50		-	-	36 000 000.00		36 000 000.00	14 810	14 810		36 000 000.00	-	14809.72
ABSA Bank - 30m	207835849	1 Months - Fixed Deposit	31-Jul	7.35	10 551 818.64	-	-		63 183.71	10 615 002.35	53 581.04	57 530.02	496 577.09	10 615 002.35	-	53 581.04
First National Bank - Equit. Share	62 1438 9588 8	Call Account			226 714.69	-	-		895.37	227 610.06	-	-	102 994.32	227 610.06	-	895.37
First National Bank - Sangwaba Housing	62 2481 6621 8	Sangwaba Housing	07-Dec	3.90	708 820.01	-	-		2 843.05	711 663.06	-	-	21 353.76	711 663.06	-	2 843.05
First National Bank - Equit. Share	7484610681	14 days - Fixed Deposit	04-Mar	6.92		-	-	10 000 000.00		10 000 000.00	-	-		10 000 000.00	-	
First National Bank - Equit. Share	7481461472	14 days - Fixed Deposit	18-Sep	6.25		-	-		-	-	-	-	356 869.12		-	
First National Bank - Equit. Share	74818350246	30 Month - Fixed Deposit	16-Oct	7.00		-	-		-	-	-	-	279 024.65		-	
First National Bank - Equit. Share	7479441557	32 Day Notice Deposit	17-Sep	7.34		-	-		-	-	-	-	593 904.44		-	
First National Bank - Equit. Share	7480655642	14 days - Fixed Deposit	12-Sep	7.72		-	-		-	-	-	-	197 049.22		-	
First National Bank - Equit. Share	7483046629	14 days - Fixed Deposit	05-Nov	6.50		-	-		-	-	-	-	280 924.91		-	
NED Bank	7881076763/126	12 Months - Fixed Deposit	25-Jan	7.80		-	-		-	-	-	-	383 945.21		-	
NED Bank	7881076763/133	1 Month - Fixed Deposit	28-Dec	7.40		-	-		-	-	-	-	133 029.09		-	
NED Bank	7881076763/134	1 Month - Fixed Deposit	02-Jan	7.40		-	-		-	-	-	-	69 417.24		-	
NED Bank	7881076763/137	1 Month - Fixed Deposit	03-Feb	7.40	10 137 882.99	-	(10 201 787.76)		63 904.77	0.00	-	-	63 904.77		0.00	3 994.05
NED Bank	7881076763/124	91 Days - Fixed Deposit	23-Aug	7.86	0.00	-	-		0.00	-	-	-	411 519.45	0.00	-	
NED Bank	7881076763/136	32 days - Fixed Deposit	24-Jan	7.05		-	-		-	-	-	-	126 026.02		-	
NED Bank	7881076763/138	32 days - Fixed Deposit	25-Feb	7.05	20 515 874.09	-	(20 638 722.02)		122 847.93	0.00	-	-	122 847.93	0.00	-	92 135.95
NED Bank	7881076763/139	32 days - Fixed Deposit	25-Feb	7.05		-	-	20 638 722.02	-	20 638 722.02	19 309.93	19 309.93	-	20 638 722.02	-	19 309.93
NED Bank	7881076763/135	110 days - Fixed Deposit	30-Mar	7.57	25 000 000.00	-	-		-	25 000 000.00	150 363.01	419 979.45	-	25 000 000.00	-	150 363.01
NED Bank	7881076763/132	1 Month - Fixed Deposit	28-Nov	7.40		-	-		-	-	-	-	-		-	
NED Bank	7881076763/129	1 Month - Fixed Deposit	18-Oct	7.20		-	-		-	-	-	-	129 753.42		-	
NED Bank	7881076763/131	1 Month - Fixed Deposit	19-Nov	7.40	0.00	-	-		-	0.00	-	-	127 065.62		0.00	-
NED Bank	7881076763/118	Call Account				-	-		43 392.51	-	-	-	57 165.20		-	43 392.51
NED Bank	7881076763/128	3 Months - Fixed Deposit	03-Dec	7.50		-	-		-	0.00	-	-	186 986.30		-	
STO Bank - Equit. Share	668730276-010	1 Month - Fixed Deposit	18-Aug	7.50	0.00	-	-		-	-	-	-	128 246.58	0.00	-	
STO Bank - Equit. Share	668730276-001	Retail/Wholesale Call Depo	31-Jan	6.35	125 276.53	-	-		363.88	125 640.41	288.29	288.29	2 278.44	125 640.41	-	945.78
STO Bank - Equit. Share-NEW	668730276-004	Notice Deposit	04-Feb	7.22	6 539 885.96	-	-		46 636.21	6 586 522.17	30 424.32	30 424.32	86 522.17	6 586 522.17	-	38 224.36
STO Bank - Equit. Share-NEW	668730276-006	Notice Deposit	15-Jan	7.46	20 000 000.00	-	-		-	20 000 000.00	122 630.13	335 060.27	-	20 000 000.00	-	122 630.13
STO Bank - Equit. Share	668730276-008	3 Months - Fixed Deposit	03-Oct	3.90	15 540.67	-	-		54.46	15 595.13	31.53	31.53	444.39	15 595.13	-	52.48
STO Bank - Equit. Share	668730276-009	14 days - Fixed Deposit	13-Sep	7.90	14 596 289.71	-	(14 658 985.44)		62 695.75	-	-	-	61 919.71	-	-	62 695.75
STO Bank - Equit. Share	668730276-006	32 Day Notice Deposit	03-Oct	7.72	0.00	-	-		-	0.00	-	-	109 612.20		0.00	
STO Bank - Equit. Share	668730276-007	32 Day Notice Deposit	27-Feb	7.72	10 000 000.00	-	-		59 027.40	10 059 027.40	13 407.44	13 407.44	59 027.40	10 059 027.40	-	59 037.58
STO Bank - Equit. Share	668730276-005	1 Month - Fixed Deposit	04-Nov	7.95	15 374 640.34	-	-		94 996.32	15 469 636.66	77 083.29	77 083.29	46 936.66	15 469 636.66	-	92 405.28
STO Bank - Equit. Share	66730276-004	3 Months - Fixed Deposit	05-Oct	7.42	10 000 000.00	-	-		-	(0.00)	-	-	123 102.57		(0.00)	
STO Bank - Equit. Share	66730276-011	1 Month - Fixed Deposit	06-Oct	7.02	10 332 257.54	-	(10 376 637.90)		44 380.36	(0.00)	-	-	25 335.33	(0.00)	-	44 380.36
STO Bank - Equit. Share	66730276-012	3 Months - Fixed Deposit	07-Oct	7.30	6 011 769.05	-	(6 037 585.50)		25 822.45	(0.00)	-	-	147 517.94	(0.00)	-	25 822.45
					150 136 764.22	-	-55 876 133.14	30 638 722.02	608 042.97	122 489 830.14	481 928.70	953 114.54	6 140 201.09	119 449 421.26	0.00	812 109.08
First National Bank	52 5524 1619 4	Current Account	02/29/2019		-	-	-	-	47 199.61	3 040 408.88	-	-	308 258.54	-	-	47 199.61
Cash and Cash Equivalent					150 136 764.22	-	-55 876 133.14	30 638 722.02	608 042.97	122 489 830.14	481 928.70	953 114.54	6 140 459.63	119 449 421.26	0.00	819 308.69

## 1.7.8 Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
- In essence, the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be funded
- As part of the budgeting and planning guidelines that informed the compilation of the 2020/21 MTREF the end objective of the medium framework was to ensure the budget is funded aligned to section 18 of the MFMA.

# UBuhlebezwe Municipality Draft Budget 2020/2021

- Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2020/21 MTREF is funded.

KZN434 UBuhlebezwe - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	279	79 583	61 109	87 964	85 472	93 024	93 024	56 260	(13 819)	(13 819)
Other current investments > 90 days		134 541	(58 920)	(52 767)	17 338	213 561	206 009	167 739	217 542	301 310	315 684
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>134 820</b>	<b>20 664</b>	<b>8 342</b>	<b>105 302</b>	<b>299 033</b>	<b>299 033</b>	<b>260 763</b>	<b>273 801</b>	<b>287 491</b>	<b>301 866</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		1 164	122	12 635	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	35 016	4 389	8 611	27 339	33 115	33 429	29 826	31 228	32 693	31 648
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>36 180</b>	<b>4 511</b>	<b>21 247</b>	<b>27 339</b>	<b>33 115</b>	<b>33 429</b>	<b>29 826</b>	<b>31 228</b>	<b>32 693</b>	<b>31 648</b>
<b>Surplus(shortfall)</b>		<b>98 640</b>	<b>16 153</b>	<b>(12 905)</b>	<b>77 963</b>	<b>265 918</b>	<b>265 604</b>	<b>230 937</b>	<b>242 573</b>	<b>254 798</b>	<b>270 218</b>

## 1.7.9 Explanatory notes to Table A9 - Asset Management

- Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
- National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality is working towards meeting both of these recommendations but the budget for UBuhlebezwe is adequate to secure the ongoing health of the municipality's infrastructure.
- UBuhlebezwe municipality has resolved to utilize internal staff when renewing assets where feasible. This has also reduced the cost of renewal of assets whilst assets are still being renewed. This was done in order to ensure that assets are renewed whilst lesser budget is allocated towards renewal. The cost of renewal is therefore embedded in the salaries of staff members.



## **1.7.10 Explanatory notes to Table A10 - Basic Service Delivery Measurement**

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services. The Municipality continues to make good progress with the eradication of backlogs:
- The number of household registered for indigent in 2020/2021 is expected to increase therefore entitled to receiving Free Basic Services, this is covered by municipality's equitable share.

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KZN434 Ubuhebezwe - Table A10 Basic service delivery measurement

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		-	3 133	3 133	3 290	3 454	3 133	3 290	3 454	3 454
Piped water inside yard (but not in dwelling)		-	10 035	10 035	11 064	11 064	10 035	11 064	11 064	11 064
Using public tap (at least min.service level)	2	-	2 394	2 394	2 514	2 639	2 394	2 514	2 639	2 639
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	15 562	15 562	16 867	17 157	15 562	16 867	17 157	17 157
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	10 670	10 670	11 764	10 670	11 204	11 764	11 204	11 764
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	10 670	10 670	11 764	10 670	11 204	11 764	11 204	11 764
<b>Total number of households</b>	5	-	26 232	26 232	28 631	27 827	26 766	28 631	28 361	28 921
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		-	1 857	1 857	2 047	1 857	1 950	2 047	1 950	2 047
Flush toilet (with septic tank)		-	2 861	2 861	3 154	2 861	3 004	3 154	3 004	3 154
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	1 556	1 556	1 715	1 556	1 634	1 715	1 634	1 715
Other toilet provisions (> min.service level)		-	6 488	6 488	7 153	6 488	6 812	7 153	6 812	7 153
<i>Minimum Service Level and Above sub-total</i>		-	12 762	12 762	14 070	12 762	13 400	14 070	13 400	14 070
Bucket toilet		-	1 766	1 766	1 947	1 854	1 766	1 947	1 854	1 947
Other toilet provisions (< min.service level)		-	5 486	5 486	6 048	5 760	5 486	6 048	5 760	6 048
No toilet provisions		-	6 217	6 217	6 854	6 528	6 217	6 854	6 528	6 854
<i>Below Minimum Service Level sub-total</i>		-	13 469	13 469	14 850	14 142	13 469	14 850	14 142	14 850
<b>Total number of households</b>	5	-	26 231	26 231	28 920	26 904	26 869	28 920	27 543	28 920
<b>Energy:</b>										
Electricity (at least min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Refuse:</b>										
Removed at least once a week		-	1 346	1 346	1 346	1 413	1 484	1 346	1 413	1 484
<i>Minimum Service Level and Above sub-total</i>		-	1 346	1 346	1 346	1 413	1 484	1 346	1 413	1 484
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	1	1	1	1	1	1	1	1
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	1	1	1	1	1	1	1	1
<b>Total number of households</b>	5	-	1 347	1 347	1 347	1 414	1 485	1 347	1 414	1 485
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	39	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	33	49	62	75
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		-	1 024	1 024	2 609	2 955	2 841	3 612	3 612	3 612
<b>Total cost of FBS provided</b>		-	1 024	1 024	2 609	2 955	2 841	3 612	3 612	3 612
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)					3 215	-	-	-	-	-
Property rates - exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA					7 149	5 686	5 686	5 970	6 293	6 639
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
<b>Total revenue cost of subsidised services provided</b>		-	-	-	10 364	5 686	5 686	5 970	6 293	6 639

## PART 2

### 2.1 OVERVIEW OF ANNUAL BUDGET PROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide general

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political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Executive Committee members, the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee are to ensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- That there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- That the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.
- The budget is further interrogated by the Executive Committee, Finance Committee and Management Committee during a strategic planning session.

## **2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH INTERGRATED DEVELOPMENT PLAN**

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation, which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the newly developed IDP includes the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;

- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The details of all revenue, operational expenditure and capital expenditure which are aligned to the goals and action plans in the Integrated Development Plan are outlined in the supporting documentation **S4 to S6**.

## 2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

### ***Borrowing Management***

The municipality currently does not have external borrowings. The municipality's credit worthiness has not been assessed; however, there are no plans to utilize this facility in the next two years

### ***Debtors and Creditor's Management***

Creditors are paid twice a month in order to cater for SMME's and in order to avoid late payments thereby incurring interests.

The Credit Control and Debt collection policy was adopted in order to tighten up debt collection. Furthermore, the municipality utilizes services of debt collectors to collect from all defaulting debtors.

## 2.4 OVERVIEW OF BUDGET RELATED-POLICIES

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- Credit Control and debts Collection policies
- Asset Management Policy
- Budget Policy
- Supply Chain Management Policy
- Virement Policy
- Cash Management and Investment Policy
- Property Rate Policy
- Indigent Policy



All the above policies are available on the municipality's website.

## 2.5. OVERVIEW OF BUDGET ASSUMPTIONS

The Draft budget was prepared in accordance with guidelines and assumptions as outlined in Municipal Budget and Reporting Regulations, taking into consideration the following aspects:

- National budget assumptions, guidelines and projections;
- Alignment with national and provincial priorities;
- Headline inflation and gross domestic products forecasts; and
- Revenue assumptions with regard to grants allocation in terms of revised DORA.
- Anticipated own revenue from rates and services charges, sundry charges and other revenues and affordability of ratepayers and consumers services;
- The ability of municipality to collect revenue (payment level);
- Operating expenditure cost drivers and growth thereof;
- Capital budget funding model;
- Protecting the poor by ensuring access to basic services

## 2.6 OVERVIEW OF BUDGET FUNDING

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from grant funding. Other funding is derived from Property rates, drivers licences, investments, rentals and operating and capital grants and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipal area and economic development;
- Revenue management and enhancement;
- National Treasury guidelines;
- Achievement of full cost recovery of specific user charges;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels such as Town planning.

## 2.7 ANNUAL BUDGETS AND SDBIPs –INTERNAL DEPARTMENT

## 2.8 CONTRACTS HAVING BUDGETARY IMPLICATIONS

The municipality does not have contracts that go beyond the current Draft budget year and the two outer years.

In terms of the municipality's supply chain management policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the bid evaluation and adjustment committees must obtain formal financial comments from the Financial Management Division of the Budget and Treasury Office Department.

## 2.9 LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

- **Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed interns undergoing training in various divisions of the Financial Services Department.

- **Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

- **Audit Committee**

An Audit Committee has been established and is fully functional.

- **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

**2.10 SIGNED MUNICIPAL MANAGER'S QUALITY CERTIFICATE HAS BEEN ATTACHED**

**Budget and Treasury Department**

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